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SUBJECT: LIBERIA SHOWS MODEST IMPROVEMENT IN WORLD BANK'S DOING
BUSINESS INDICATORS

11. (SBU) SUMMARY. Liberia moved up the scale of the World Bank's "Doing Business Indicators" for the third year in a row, jumping eight spots to 149th out of 183 countries. While Liberia implemented quick-win procedural improvements that garnered it a place among the top ten reformers of 2009, future progress is likely to be slow, despite the ambitious efforts of the National Investment Commission. Unsurprisingly, the report reveals monumental political, legal and financial obstacles, including the absence of a transparent judicial system, balanced labor laws, deep financial markets, and an efficient system of property registration. END SUMMARY.

12. (U) Liberia improved eight spots to 149th in the World Bank's annual "Doing Business Indicators" (DBI) survey, demonstrating a second year of modest investment climate reform after an abysmal 2007 debut in the bottom ten countries worldwide. Liberia was also recognized as the 10th most improved country in the survey. [Note: Rwanda - long the model of investor-friendly reform in sub-Saharan Africa - nabbed the top reformer slot. End Note.].

13. (U) Improvements resulted from the GOL Business Reform Committee's (BRC) close collaboration with private sector counterparts, mainly the IFC-sponsored Liberia Better Business Forum (LBBF). While the BRC and LBBF identified four crucial areas to target for reforms, the DBI survey indicated notable success in only two areas. Liberia streamlined procedures for opening a business and obtaining construction permits, eliminating expensive or redundant steps that give rise to graft or pose time-consuming constraints that relegate entrepreneurs to the informal sector. However, the BRC and LBBF achieved minimal gains in the areas of cross-border trade - where import and export costs remain three times those of a best practices market such as Singapore - or registering a property, where reformers failed to cut even a single permit or procedure from a byzantine system that leaves most people without formal property rights.

14. (U) Chairman of the National Investment Commission (NIC) Richard Tolbert, who religiously follows the DBI as a template for reform, shared his vision for long-term reforms with reporters September 10.

Given the NIC's desire to leverage investment for sustainable job creation, he vowed to shepherd investor-friendly bills through the Legislature, including the revised Revenue Code, the Investment Act, and the Association and Business Law, and closely monitor their subsequent implementation. The NIC also will work to establish a credit bureau and a commercial court, two key institutional shortcomings that detracted from Liberia's standing in the DBI report.

15. (SBU) COMMENT: Despite a confidence-boosting uptick in Liberia's ranking, numerous bottlenecks, onerous procedures and opportunities for graft remain. The NIC has vowed to support investment climate reform, but progress will require collaboration from the Commerce, Finance, and Justice Ministries, as well as the Legislature, private sector and the Office of the President. The President and Minister of Finance firmly share the NIC's enthusiasm for pro-investment reforms. However, populist grandstanding and self-interest in the Legislature, and a lack of technical capacity in the other

ministries will slow a second round of reforms. The great challenge will be to implement reforms that are not merely cosmetic, but address complex and politically sensitive issues of land tenure, judicial reform, and employee rights.

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